

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

PERIODIC REPORTING  
(PROPOSAL FIVE)

Docket No. RM2017-9

PETITION OF THE UNITED STATES POSTAL SERVICE FOR THE  
INITIATION OF A PROCEEDING TO CONSIDER PROPOSED CHANGES  
IN ANALYTICAL PRINCIPLES (PROPOSAL FIVE)  
(June 30, 2017)

Pursuant to 39 C.F.R. § 3050.11, the Postal Service requests that the Commission initiate a rulemaking proceeding to consider a proposal to change analytical principles relating to the Postal Service's periodic reports. The proposal, relating to the replacement of IOCS with TACS for purposes of dividing accrued city carrier costs between regular routes and Special Purpose Routes (SPRs), is labeled Proposal Five and is discussed in detail in the attachment to this Petition describing the proposal.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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**Proposal Five: Census Data for City Carrier Costs by Route Group**

**Objective:**

The objective of this proposal is to update the methodology used for the division of accrued city carrier costs between the two route groups, letter routes and special purpose routes (SPR).

**Background:**

Costs for city carriers are developed in the Cost and Revenue Analysis (CRA) for two route groups, regular letter routes and special purpose routes (SPR). While total costs for carriers are determined from accounting systems, the share of costs for the two groups are currently determined by sampling from the In-Office Cost System (IOCS). However, a more comprehensive source for this information is now available in the Time and Attendance Collection System (TACS). City carriers assigned to SPR clock to LDCs 23, 24 and 27, while carriers assigned to regular routes clock primarily to LDCs 21 and 22. Availability of these data enables the possibility of replacing IOCS sampling with much more comprehensive census data.

**Proposal:**

The Postal Service proposes to use TACS data to determine the share of costs for the two route groups, letter routes and SPR. The shares of costs would be calculated by using the share of city carrier workhours clocked to corresponding Labor Distribution Codes (LDCs). SPR would be based on the share of workhours in LDCs 23, 24 and 27, while letter routes would include LDCs 21 and 22, as well as the small amount of workhours associated with LDCs 26, 28, 29, and 92. Similar to current IOCS

cost estimation, the proportion of TACS workhours would be calculated separately for the two city carrier subgroups: full-time city carriers (roster designation 13) and part-time and transitional city carriers (roster designations 33, 63, 83 and 84). The workhour proportions would be applied to the total accounting costs associated with each craft subgroup.

**Rationale:**

One justification for using the TACS data is to begin to use census data when available to reduce the variability of statistical estimates of costs by route group due to sampling. This use is analogous to the methodology of cost segment 3 for MODS 1 and 2 finance numbers, where MODS workhours are used to establish mail processing costpools. While this proposal would update the method for determining the accrued costs for the two route groups, it would not change any of the other costing methodologies, such as the determination of volume variable costs or the distribution of those costs to products.

In addition to sampling variability, there are practical challenges in implementing the IOCS sample that may lead to systematic errors in the IOCS-based estimates of total costs for carrier work assignments, including route group totals. Because there are delays in administrative processing of new employees, City Carrier Assistants (CCAs) are not sampled in the first four weeks of their employment. Because CCAs have short six-month contracts, IOCS respondents sometimes provide information that CCAs have left the Postal Service when they are actually working at a different office. Carriers may be loaned on short notice to another finance number to assist with SPR deliveries there. Also, carriers on regular routes may spend some portion of their street time conducting

SPR activities, while clock rings will only be entered into TACS by a supervisor after they return to the office and after the IOCS data collector has recorded the best information available at the time of the reading. These issues are significant because CCAs are assigned to SPR much more frequently than regular full-time carriers. Due to these reasons, carriers assigned to SPRs may be under-sampled. Use of census data from TACS would allow work activities of CCAs that are new, loaned or working within the Postal Service to be observed directly, eliminating the potential source of bias.

Evidence for this can be seen in Table 1, which displays the impact on costs of the two route groups by quarter if the extant proposal had been in effect in FY 2016. Note that the magnitude of the increase from using TACS data is by far greatest in Q1. This is when a large number of new carriers are hired for peak season. Peak season is also the time when carriers may be assigned to SPR on short notice to assist with the high volumes of mail.

Table 1: Impact on FY16 City Carrier Costs by Route Group (\$K)

Route Group	Quarter	TOTAL C/S 6 & 7, REVISED FOR RM2017-9	TOTAL CS 6 & 7, AS FILED IN ACR 2016	CHANGE IN COSTS
Regular	1	\$3,869,727	\$3,971,078	-\$101,351
	2	\$3,784,598	\$3,833,398	-\$48,800
	3	\$3,737,442	\$3,764,068	-\$26,626
	4	\$3,760,468	\$3,799,102	-\$38,635
Regular Total		\$15,152,235	\$15,367,646	-\$215,412
SPR	1	\$257,870	\$156,519	\$101,351
	2	\$172,880	\$124,080	\$48,800
	3	\$160,248	\$133,621	\$26,626
	4	\$164,674	\$126,040	\$38,635
SPR Total		\$755,672	\$540,260	\$215,412
City Carrier Total		\$15,907,906	\$15,907,906	\$0

Impact:

The impact on product costs is in Table 2. A non-public version of Table 2 is provided in folder USPS-RM2017-9/NP1. (Also in USPS-RM2017-9/NP1 are nonpublic versions of the other two Excel files (CS6&7 and I-Forms) attached to this document electronically.)

Table 2: Impact on Costs by Product

CLASS, SUBCLASS, OR SPECIAL SERVICE	CRA CLASS	TOTAL C/S 6 & 7, REVISED FOR RM2017-9	TOTAL CS 6 & 7, AS FILED IN ACR 2016	TOTAL C/S 6 & 7, REVISED FOR RM2017-9, WITH PIGGYBACKS	TOTAL CS 6 & 7, AS FILED, WITH PIGGYBACKS	CHANGE IN CS 6 & 7, WITH PIGGYBACKS	RPW VOLUME	REVISED TOTAL COST PER RPW	CRA UNIT COST	CHANGE IN TOTAL COST PER RPW
COLUMN UNITS		(1)	(2)	(3) = (1)*PBRATIO	(4)=(2)*PBRATIO	(5)=(3)-(4)	(6)	(7)=(8)+(5)/(6)	(8)	(9)=(7)-(8)
		(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(000)			
<b>Market Dominant Products</b>										
<b>FIRST-CLASS MAIL</b>										
SINGLE-PIECE LETTERS	3	1,210,912	1,205,048	1,634,444	1,626,529	7,915	18,910,477	0.282	0.281	0.000
SINGLE-PIECE CARDS	4	58,244	58,165	78,461	78,354	107	795,244	0.292	0.292	0.000
PRESORT LETTERS	8	1,047,534	1,060,059	1,410,641	1,427,507	(16,866)	37,745,771	0.116	0.117	(0.000)
PRESORT CARDS	9	45,133	45,745	61,056	61,884	(827)	2,197,374	0.078	0.079	(0.000)
FLATS	14	213,002	214,295	281,799	283,509	(1,710)	1,570,219	0.974	0.975	(0.001)
PARCELS	19	53,747	53,250	72,879	72,205	674	253,945	2.318	2.315	0.003
<b>TOTAL FIRST-CLASS</b>		2,628,573	2,636,561	3,539,280	3,549,988	(10,708)	61,473,029	0.199	0.199	(0.000)
<b>STANDARD MAIL</b>										
HIGH DENSITY & SATURATION LETTERS	21	185,824	188,237	253,372	256,663	(3,291)	6,991,880	0.070	0.070	(0.000)
HIGH DENSITY & SATURATION FLATS & PARCELS	22	485,352	491,853	662,804	671,682	(8,878)	11,100,927	0.107	0.108	(0.001)
EVERY DOOR DIRECT MAIL - RETAIL	24	32,567	33,004	44,442	45,038	(596)	810,238	0.066	0.067	(0.001)
CARRIER ROUTE	23	448,640	454,533	594,369	602,176	(7,807)	6,783,061	0.195	0.196	(0.001)
LETTERS	25	1,299,895	1,316,491	1,758,408	1,780,857	(22,449)	48,858,797	0.102	0.103	(0.000)
FLATS	26	705,373	714,309	936,485	948,349	(11,864)	6,340,264	0.469	0.471	(0.002)
PARCELS	27	9,313	9,398	12,498	12,613	(114)	44,767	1.858	1.860	(0.003)
<b>TOTAL STANDARD MAIL</b>		3,166,963	3,207,824	4,262,377	4,317,376	(55,000)	80,929,933	0.137	0.138	(0.001)
<b>PERIODICALS</b>										
IN COUNTY	31	28,007	28,361	37,614	38,089	(475)	534,172	0.162	0.163	(0.001)
OUTSIDE COUNTY	32	384,429	389,311	510,159	516,638	(6,480)	5,052,010	0.385	0.386	(0.001)
<b>TOTAL PERIODICALS</b>		412,435	417,672	547,773	554,728	(6,955)	5,586,182	0.363	0.365	(0.001)
<b>PACKAGE SERVICES</b>										
BOUND PRINTED MATTER FLATS	42	21,038	21,309	28,055	28,417	(362)	264,935	0.491	0.493	(0.001)
BOUND PRINTED MATTER PARCELS	43	45,234	42,949	61,707	58,590	3,117	249,957	1.120	1.108	0.012
MEDIA AND LIBRARY MAIL	44	16,016	15,334	21,725	20,800	925	74,999	4.737	4.725	0.012
<b>TOTAL PACKAGE SERVICES</b>		82,287	79,593	111,487	107,808	3,679	591,173	1.328	1.322	0.006
<b>US POSTAL SERVICE</b>										
FREE MAIL	85	38,571	38,774	50,829	51,097	(268)	421,035			
	86	3,417	3,465	4,590	4,655	(65)	45,316	0.817	0.818	(0.001)
<b>Total Domestic Market Dominant Mail</b>		6,332,246	6,383,889	8,516,336	8,585,651	(69,316)	149,046,669			
<b>Ancillary Services</b>										
CERTIFIED	51	88,560	89,597	120,328	121,737	(1,409)	197,771	2.628	2.635	(0.007)
COD	52	228	224	316	309	6	202	24.547	24.515	0.032
INSURANCE	54	1,340	1,353	1,827	1,845	(18)	15,347	2.791	2.792	(0.001)
REGISTRY	55	662	662	891	892	(0)	2,013	8.074	8.074	(0.000)

## Proposal Five

CLASS, SUBCLASS, OR SPECIAL SERVICE	CRA CLASS	TOTAL C/S 6 & 7, REVISED FOR RM2017-9	TOTAL CS 6 & 7, AS FILED IN ACR 2016	TOTAL C/S 6 & 7, REVISED FOR RM2017-9, WITH PIGGYBACKS	TOTAL CS 6 & 7, AS FILED, WITH PIGGYBACKS	CHANGE IN CS 6 & 7, WITH PIGGYBACKS	RPW VOLUME	REVISED TOTAL COST PER RPW	CRA UNIT COST	CHANGE IN TOTAL COST PER RPW
STAMPED ENVELOPES	56	-	-	-	-	-	-	-	-	-
STAMPED CARDS	57	-	-	-	-	-	-	-	-	-
OTHER ANCILLARY SERVICES	58	46,228	46,497	63,306	63,675	(369)	4,504,659	-	-	-
Special Services	-	-	-	-	-	-	-	-	-	-
MONEY ORDERS	73	-	-	-	-	-	90,289	-	-	-
POST OFFICE BOX	74	-	-	-	-	-	-	-	-	-
<b>Total Domestic Market Dominant Services</b>		137,017	138,332	186,668	188,458	(1,789)	4,810,280	-	-	-
<b>Total Domestic Market Dominant Costs</b>		6,469,263	6,522,221	8,703,004	8,774,109	(71,105)	153,856,949	-	-	-
<b>Competitive Products</b>										
<b>Total Domestic Competitive Costs</b>		870,102	824,958	1,183,976	1,122,404	61,572	4,272,339	\$2.593	\$2.578	\$0.014
<b>INTERNATIONAL MAIL</b>	185	87,507	85,319	118,980	116,005	2,975				
<b>TOTAL VOLUME VARIABLE COSTS</b>		7,426,873	7,432,499	10,005,960	10,012,518	(6,558)				
<b>OTHER</b>	199	8,481,033	8,475,407							
<b>GRAND TOTAL</b>		15,907,906	15,907,906							

NOTE: Unit cost in column 8 for domestic only, all International cost is included in class 185.  
Standard Mail unit costs are before NSA adjustment.